



# IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER  
Governor

GAVIN M. GEE  
Director

September 10, 2015

Re:

Dear :

This is in response to your letter of August 21, 2015 which was received by this office on August 24, 2015. You are asking for our guidance as to whether the services and products offered by would require licensure under the Idaho Money Transmitters Act. In connection with your request we provide the following.

**Virtual Currency Exchange Issues** – Based solely upon the information presented in your letter, we are of the formative view that s virtual currency exchange meets the definition of a money transmitter under the Idaho Money Transmitters Act. We view virtual currency, including bitcoin, as a form of payment instrument, and currency exchanges as a form of money transmission.

Should you choose to apply for an Idaho money transmitter license, we would seek further information regarding certain aspects of 's business model, including:

1. Will allow for the entry of limit orders as well as market orders for the purchase of virtual currencies? If yes, please describe how such transactions are handled. Will ever use any of its own inventory to fill such purchase or sale orders?
2. We would like more detail or confirmation of the processing methodology. How will accept instructions to purchase or sell? What is the maximum lag time between when a user inputs a sell instruction to and when the bitcoin is actually sold? Also what is the maximum lag time between when the user's bitcoin "sells" and the user receives the fiat currency from the sale?
3. Since provides a wallet service to facilitate the purchase and sale of virtual currencies, please provide more information regarding the various uses of the wallet mechanism. Can it be used by consumers to purchase goods and services from their mobile device or via the web? Does have a signed agreement with their web customers?
4. proposes to offer a virtual bitcoin ATM service through a software program that can be downloaded at approved merchant locations throughout the U.S. How would this program work?
5. Will be acting as an agent for the customers or are they making a market?

**SECURITIES BUREAU**

**Bureau Chief – James A. Burns**

**800 Park Boulevard, Suite 200, Boise, ID 83712**

**Mail To: P.O. Box 83720, Boise ID 83720-0031**

**Phone: (208) 332-8004 Fax: (208) 332-8099**

**<http://finance.idaho.gov>**

**PROTECTING THE INTEGRITY OF IDAHO FINANCIAL MARKETS**

6. What virtual currency exchanges does \_\_\_\_\_ use? Are they only using licensed exchanges?
7. A copy of \_\_\_\_\_ AML/BSA policies.
8. Has \_\_\_\_\_ applied or does it intend to apply for a license to conduct virtual currency exchange business in New York?
9. How will \_\_\_\_\_ advertise its services?

We look forward to your response to our questions. If you have questions regarding this matter, please contact the undersigned directly at 208-332-8073 or [ginnie.sorensen@finance.idaho.gov](mailto:ginnie.sorensen@finance.idaho.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'Ginnie Sorensen', with a long horizontal flourish extending to the right.

Ginnie Sorensen  
Financial Examiner/Investigator

RECEIVED

2015 AUG 24 AM 11: 33

STATE OF IDAHO  
DEPT OF FINANCE

August 21, 2015

Client-Matter: 49554-030

**Confidential Business Proprietary Information**  
**Confidential Treatment Requested**

Mr. Jim Burns  
Securities Bureau Chief  
Idaho Department of Finance  
800 Park Blvd., Suite 200  
Boise, ID 83712

Re:

Dear Mr. Burns:

On behalf of our client, (" "), we are writing to ask for your guidance with respect to whether requires a license under Money Transmitters Act Chapter 29, Title 26 of Idaho Code, or under other Idaho statute to offer the services described below. Please find below a description of 's business strategy and products.

**Overview**

, which is headquartered in Brooklyn, NY, offers its clients virtual currency (also referred to as "cryptocurrency" or "Bitcoin") exchange related services. acts as a currency exchange, facilitating exchange between fiat and virtual currency. Its clients may create an online wallet with through which the client may buy, sell or hold Bitcoin. These services, which allow fully verified clients to buy, sell or hold virtual currency, include the following:

- Buy bitcoins (exchange USD for bitcoin)
- Sell bitcoins (exchange bitcoin for USD)
- Store bitcoins
- Deposit bitcoins into account
- Transfer bitcoins out of account

The exchange service is accessible online. also maintains one office in New York at which clients may conduct exchange transactions in person.

Mr. Jim Burns  
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also owns a bitcoin ATM located in New York. Its clients may use the ATM to exchange fiat for bitcoin (one-way only). In addition, proposes to offer a virtual bitcoin ATM service through a software program that can be downloaded at approved merchant locations throughout the US.

Verified account holders send fiat for exchange, generally via cashier's check or money order or cash deposit, to 's office in NY. Once the funds are received, deposits them into a bank account, and the client account is credited on the ledger with the value of the bitcoins based on the exchange rate at the time the client order is filled, less applicable fees. is liable for funds received from clients from the moment the funds are received, through fulfillment of the order. also assumes liability for any bitcoins held in the wallet it hosts, provided the user's password and email account are not compromised.

## Conclusion

We appreciate your review of 's business model. is committed to complying with all applicable laws and recognizes that your views on the licensing issue is an important component in its efforts to satisfy that commitment. We understand that business models involving virtual currencies may raise unique issues that have not previously been considered by your office and may require additional information to address questions you and your staff may have. is prepared to provide such information and welcomes a response at your earliest convenience as the Company moves forward to ensure its operations are appropriately compliant with the laws of the various states including those of Idaho.

requests that this letter be afforded confidential treatment as it contains proprietary business information the release of which to the public could be damaging to 's competitive position. Should a request for such information be made, we request notice 10 days prior to the release of any of this information to afford us time to take action to protect the information.

If you have any questions or require any additional information in your review, please do not hesitate to contact me at or my colleague . We look forward to your response. Thank you for your consideration.

Sincerely,